



November 14, 2005

Members of the Investment Committee
California Public Employees' Retirement System
Lincoln Plaza, 400 P Street, Suite 3492
Sacramento, CA 95814

Re: Global Real Estate Investment Program Annual Plan 2005-2006

Dear Members of the Investment Committee:

Pension Consulting Alliance, Inc. ("PCA") has reviewed the Staff's proposed Annual Plan for the upcoming year. We have assisted in the preparation of the performance results and concur with the numbers presented to the Investment Committee, although PCA did not perform an audit of the underlying results, as PCA is not an accounting organization.

PCA has reviewed the proposed initiatives presented on pages twelve and thirteen of the Annual Plan. We concur with the proposed initiatives for the upcoming year recognizing that the portfolio's risk level will be higher than has historically been the case. The risk has increased as the overall leverage level of the portfolio has increased and the shift of the portfolio's allocation from Core to Non-Core. Based upon the information provided by Staff and the views expressed by the Investment Committee over the past year, we believe the Investment Committee understands and is comfortable with the increased risk profile.

We believe additional recommendations for the Investment Committee may come to light upon the completion of the Strategic Review of the program that is contemplated to be completed within the next six months. We have had preliminary conversations with Staff regarding the need to implement additional monitoring procedures given the increasing complexity of the portfolio. As is reflected in the Annual Plan, this issue will be addressed in the upcoming year.

We look forward to answering any questions the Investment Committee may have at the next meeting.

Very truly yours,

Nori Gerardo Lietz
Managing Director

Cc: Mark Anson
Michael McCook
Al Fernandez
Bob Eberhardt
Jose McNeil
Judy Alexander
Pam Alsterlind